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THE IMPACT OF GRAMM-RUDMAN-HOLLINGS ON PROGRAMS SERVING OLDER AMERICANS: FISCAL YEAR 1986

AN INFORMATION PAPER

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This document has been printed for information purposes. It does not offer findings or recommendations by this committee.

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INTRODUCTION

The Congress is initiating in 1986 a tough new process to control Federal budget deficits in the form of the Balanced Budget and Emergency Deficit Control Act, commonly called the Gramm-Rudman-Hollings Act. The new law requires the enactment of budget legislation to achieve specified deficit targets each year, leading to a zero deficit by 1991. If Congress fails to enact the required deficit-reducing legislation in time, the new budget process triggers an automatic "sequestration" of funds to meet the deficit target. The first sequestration under "Gramm-Rudman," totaling $11.7 billion for fiscal year 1986, is scheduled to take effect March 1, 1986.

This report provides an analysis of the impact of the first "Gramm-Rudman" sequestration on Federal programs serving the elderly. Although the first sequestration will require relatively small reductions in spending, it demonstrates how the automatic cuts are made and offers a preview of future cuts. When fiscal 1987 begins in October, spending cuts estimated at $37 billion will be required if Congress fails to enact deficit-reducing legislation in the interim.

Gramm-Rudman itself provides protection from sequestration for a large portion of Federal spending on the elderly. Most of the benefits paid by income security and means-tested programs—Social Security, Supplemental Security Income (SSI), Veteran's benefits, Railroad Retirement Tier I, Food Stamps, and Medicaid—are totally exempt from sequestration, although the cost of administering these programs is not. Other income security benefits, principally Civil Service and Military Retirement, are subject to sequestration only to the extent of the annual cost-of-living-adjustment (COLA). Health care programs (other than Medicaid)—Medicare, Veterans' health care, and community health centers—would be subject to limited cuts of 1 percent in excess of a freeze on inflation adjustments in fiscal 1986 and 2 percent in subsequent years. All other programs serving the elderly, such as housing, nutrition, and social services, are subject to across-the-board reductions required to meet the deficit targets.

Gramm-Rudman requires that a total of $11.7 billion be sequestered in fiscal 1986. In applying sequestration to programs, the total amount of required deficit reduction (net of the savings from permitted COLA cuts) is split equally between defense and nondefense spending, and spending reductions are applied uniformly to the sequesterable amounts in each budget account. The savings realized from COLA cuts are credited equally to the required defense and nondefense reductions. The remaining amount needed to achieve the target for this year is met by cutting the unobligated

balances in nondefense accounts by 4.3 percent and in defense accounts by 4.9 percent.

Overall, fiscal 1986 sequestration will force a number of reductions in Federal spending on the elderly:

—The 1986, 3.1 percent COLA increase scheduled for civil service and military retirement has already been canceled by Gramm-Rudman.

—Medicare will suffer a reduction of $300 million in program funds, not achievable through benefit reductions, on top of the existing freeze on hospital and physician reimbursement.

—Housing and nutrition programs, low-income energy assistance, senior centers, and other aging services will lose 4.3 percent of their total unobligated funds for the fiscal year.

—Administrative expenses for Social Security, SSI, Medicare, Medicaid, Food Stamps, and Veterans programs will be reduced by 4.3 percent as well.

Most agencies report that they can achieve savings through program and administrative adjustments. Should sequestration occur for fiscal year 1987, however, the consequences for programs providing essential services to older Americans will be far more severe. Under the President's fiscal 1987 budget assumptions, Gramm-Rudman will require a $37.2 billion reduction in Federal spending. If Congress fails to enact alternative deficit-reducing legislation before October, sequestration would require additional cutbacks more than three times the size of those put into effect in March. For programs and agencies already reduced by fiscal 1986 sequestration, fiscal 1987 sequestration would seriously impair the ability to deliver quality health care, housing, nutrition, and social services to the elderly, and to administer fundamental income support programs such as Social Security.

Although fiscal 1986 sequestration will take effect on March 1, Gramm-Rudman faces an uncertain future. On February 7, a Federal District Court found Gramm-Rudman unconstitutional on the grounds that it vests executive power in the Comptroller General, an official who is removable by Congress. Pending appeal to the Supreme Court, the President's fiscal 1986 sequestration order will remain in effect. Should the Supreme Court uphold the district court, however, that order would be overturned. If this occurs, under a fallback plan, Congress would have to pass a joint resolution to reinstate fiscal 1986 sequestration and initiate sequestration in later years.

Relatively little about sequestration and its effect on deficit-reduction and Federal spending is certain. Nonetheless, this report is intended to provide a preliminary view of the reductions in Federal spending and changes in priorities that will result from this new budget process, if it operates as expected. The budget and sequestration amounts presented in this report are for entire budget accounts covering programs that serve the elderly. In many cases only a portion of the spending in the account actually benefits persons 65 years of age or older. Where possible the text indicates the proportion of elderly persons in the recipient or client population in each program.

FISCAL 1986 SEQUESTRATION

[In millions of dollars]

	Fiscal year 1986 total [1]	Sequester	
		Baseline [2]	Sequestered amount [3]
OUTLAYS			
Health:			
Medicare pt. A	49,271	1,031.0	264.4
Medicare pt. B	25,244	1,001.5	110.0
Medicaid	24,440	0	0
Veterans medical care	9,267	787.7	103.9
National Institute on Aging	137	75.7	3.2
National Cancer Institute	1,217	617.1	26.5
National Heart, Lung and Blood Institute	860	378.3	16.3
National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases	573	257.6	11.0
Food and Drug Administration	417	365.7	15.7
Total	111,426	4,514.6	551.0
Income security:			
OASI trust fund	180,346	1,504.5	64.7
DI trust fund	20,306	464.2	20.0
SSI Program	10,197	719.0	30.9
Black lung pt. B	1,002	6.5	.3
Black lung pt. C	950	154.0	6.6
Civil service retirement fund	24,577	586.0	536.7
Military retirement fund	18,008	409.1	409.1
Veterans compensation	10,409	0	0
Veterans pensions	3,818	0	0
VA general operating expenses	752	675.3	29.0
Railroad Social Security	5,950	29.2	1.3
Rail industry pension	2,248	43.7	19.1
Windfall subsidy	390	390.0	16.7
Pension Benefit Guaranty Corporation	33	28.3	1.2
Food stamps	11,799	27.0	1.2
Commodity Supplemental Food Program	1,582	2.0	.9
Food Donations Program	185	159.4	6.9
Temporary Emergency Food Assistance Program	52	34.0	1.5
Low-Income Home Energy Assistance Program	2,100	1,890.0	81.3
Total	294,704	7,123.1	1,227.4
Housing:			
202 housing	556	3.9	.2
Congregate services	6	0	0
Public housing	1,426	0	0
Community development grants	3,575	62.5	2.7
Subsidized housing	10,530	9.5	0.4
FmHA rural housing insurance fund	3,053	1,145.8	49.3
DOE weatherization	487	111.3	4.8
Total	19,633	1,333.0	57.4
Services:			
Human development services (including OAA)	1,977	1,134.8	48.8
UMTA discretionary grants	800	58.7	2.5
UMTA formula grants	1,445	763.8	32.8
Legal Services Corporation	312	226.0	11.4
ACTION	164	91.6	3.9
Community service employment for older Americans	326	65.1	2.8
Training and employment services	3,841	94.9	4.1
Equal Employment Opportunity Commission	163	141.5	6.1
Social services block grants	2,705	2,538.0	109.1
Community services block grants	368	252.9	10.9

FISCAL 1986 SEQUESTRATION—Continued

[In millions of dollars]

	Fiscal year 1986 total [1]	Sequester	
		Baseline [2]	Sequestered amount [3]
Total	12,101	5,367.3	232.4
Total of all programs	437,864	18,338.0	2,068.2

[1] Figures represent outlays for fiscal year 1986 prior to sequestration under assumptions employed by the Office of Management and Budget and the Congressional Budget Office in the joint sequestration report issued Jan. 15, 1986.

[2] Baseline figures represent total funds available for sequestration in fiscal year 1986.

[3] Figures represent funds actually sequestered in fiscal year 1986.

Chapter 1

HEALTH

MEDICARE

THE PROGRAM

The Medicare Program was enacted in 1965, in response to concerns that rising costs were pushing health care beyond the reach of many senior citizens. The program provides insurance for short-term acute illness. The Hospitalization component (commonly known as "Part A"), which pays for inpatient hospital care, stays in skilled nursing facilities, and home health services, is financed principally through a special hospitalization insurance payroll deduction included as a part of the Social Security tax. The Supplemental Medical Insurance component (commonly known as "Part B"), which pays for all other covered services, principally physician services, is financed through general revenues and premium payments from voluntary enrollees. In 1985, 27 million elderly persons and 3 million disabled persons were eligible for Medicare. Nearly one-half of all personal health care expenditure for the elderly was paid by Medicare.

FISCAL 1986 SEQUESTRATION

Benefits

Under Gramm-Rudman, the Medicare Program is governed by a special rule limiting the amount of sequesterable funds. In fiscal year 1986, only 1 percent of benefits may be cut. (In later years this ceiling will be raised to 2 percent.) The overall reduction must be achieved by reducing all direct payment rates in equal proportion. No changes in beneficiary cost-sharing are allowed under sequestration.

The payments to hospitals and other Part A providers will be made at 1 percent below the rates in effect at the time of the sequester. Hospital rates are currently frozen at fiscal 1985 rates. The amount of funds scheduled for sequester from this program in 1986 is $230 million.

Physician reimbursement rates and other Part B provider rates (such as laboratories and durable medical equipment) will also be reduced by 1 percent of current levels. Physician fees are already frozen through March 14, 1986. The amount of funds scheduled for sequester from this program in 1986 is $70 million.

For Medicare beneficiaries, Gramm-Rudman will not result in immediate increases in their monthly premiums or the deductibles for hospital and skilled nursing care. Nevertheless, they *will* feel the effects of Gramm-Rudman through increased costs, such as

services from physicians who do not take assignment. In addition, reductions in payments to hospitals may force many hospitals to cut staff, reduce services, and lower the quality of care that they provide to Medicare beneficiaries. This increased squeeze on hospitals may also result in reduced service to indigent patients, as hospitals' ability to cost shift to Medicare becomes less and less possible.

Administration

The operating budget of the Health Care Financing Administration (HCFA), which administers both the Medicare and Medicaid Programs, is not covered under the special Gramm-Rudman rule for health programs, and is therefore subject to the full across-the-board cut. Under the fiscal 1986 sequester, it is estimated that HCFA's administrative budget will be cut by $74.5 million. This includes payments to insurance companies that process and audit claims (carriers and fiscal intermediaries), the costs of program monitoring performed by the Peer Review Organizations, provider certification, HCFA research activities and general administrative costs. Cutbacks in some of the audit and utilization review functions could result in net increases in spending in the long term. In addition, reductions to the carriers and fiscal intermediaries could impair efficient processing of claims. Finally, the cuts to the PRO's may have a negative effect on their quality assurance programs.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays[1]			
Medicare pt. A	49,271	1,031.0	264.4
Medicare pt. B	25,244	1,001.5	110.0

[1] Figures include HCFA administration costs for each program.

MEDICAID

THE PROGRAM

The Federal Medicaid Program was enacted in 1965 to provide matching funds to States to finance health insurance for the poor, including supplemental insurance for the elderly poor covered under Medicare. The Medicaid Program is administered by the Health Care Financing Administration (HCFA), which also administers Medicare. Nearly 22.9 million persons are eligible to receive Medicaid benefits, and of those, 3.2 million are elderly. Grants made to States for elderly recipients total $13 billion. Approximately 13 percent of all health care expenditures for the elderly are made by Medicaid.

FISCAL 1986 SEQUESTRATION

Benefits

Under Gramm-Rudman, Grants to States for Medicaid is an exempt program. The grants themselves are exempt from automatic cuts, and will not be reduced under sequestration.

Administration

The administrative costs of the program are not exempted, and are therefore subject to the across-the-board reductions. The Health Care Financing Administration's total administrative budget for both the Medicaid and Medicare Programs will be reduced by $74.5 million.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
Medicaid benefits	24,440	0	0

[1] Figures do not include HCFA administrative expenses.

VETERAN'S HEALTH

THE PROGRAM

The Veterans Administration (VA) provides a wide range of services to men and women who have given past service in the Armed Forces. The VA provides health care services in 172 VA hospitals, 16 domiciliaries, 116 nursing homes, and 228 outpatient clinics. It also contracts with private and State facilities to provide veterans with hospitalization and nursing home care. Medical care is available to all veterans for service-connected conditions. Veterans are eligible for VA care for non-service-connected conditions if they are unable to defray the cost of care elsewhere or are age 65 or older. Senior citizens comprise more than 32 percent of all VA patients.

FISCAL 1986 SEQUESTRATION

Benefits

Under the Gramm-Rudman Act, the Veterans health care program is treated in a special way, similar to the Medicare Program. Funds used to provide direct medical services are to be reduced only by 1 percent in fiscal year 1986, with 2 percent to be the maximum allowable automatic cut in later years. This cut will take $85.2 million out of the amount budgeted for medical care in fiscal 1986.

For 1986, the VA will attempt to absorb the $85 million cut through "operating efficiencies" without jeopardizing the quality or quantity of care provided and without cutting back on medical personnel. It is conceivable, however, that some cuts in services may result from this year's sequestration because the law requires the

VA to serve veterans without service-connected disabilities "only to the extent that resources are available to do so".

Administration

VA administrative costs are not protected under the special health services rule of Gramm-Rudman, and therefore are subject to the across-the-board cut of 4.3 percent this year. The funds sequestered from the VA's medical administration budget total $32.7 million.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Veterans medical care	9,267	787.7	103.9

National Institutes of Health

THE PROGRAMS

The National Institutes of Health (NIH), the principal biomedical research agency of the Federal Government, conducts and supports research aimed at improving the health of all Americans. Four of the 16 Institutes study areas of particular importance to America's elderly population.

A. National Institute on Aging

The National Institute on Aging (NIA) was established in 1974 to conduct biomedical, social, and behavioral research and training related to the aging process and diseases and other special problems and needs of the aged. NIA's principal areas of study include research into Alzheimer Disease and other dementias of aging, osteoporosis, and problems of incontinence and mobility. All NIA supported research is of benefit to the Nation's senior citizens.

B. National Cancer Institute

Originated under FDR, The National Cancer Institute (NCI) conducts and sponsors research relating to the cause, prevention, diagnosis, and treatment of cancer. NCI has developed an international data bank for cancer research information and disseminates valuable information to both researchers and the general public. The goal of the NCI is to reduce the cancer mortality rate in the United States by 50 percent by the year 2000—a goal which would mean saving 200,000 lives a year.

The work of the NCI benefits senior citizens. Of all new cancer cases reported, over half involve senior victims, and over 60 percent of all persons who die of cancer each year are elderly.

C. National Heart, Lung and Blood Institute

The National Heart, Lung and Blood Institute (NHL&BI) carries out a number of programs concerned with diseases of the heart, blood vessels, blood, and lungs, and with the management of blood resources. NHL&BI studies 3 of 10 chronic conditions afflicting the elderly—hypertension, heart conditions, and arteriosclerosis. One-fourth of all senior citizens suffer from a chronic heart condition, nearly 40 percent suffer from hypertension, and 8 percent from arteriosclerosis.

D. National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases

The National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases (NIADDK) conducts and supports research in two particular areas of great importance to senior citizens. Arthritis and diabetes are common ailments among the elderly. These diseases, although not often fatal, can cause great hardships for many senior citizens in the form of increased medical bills and loss of mobility and productivity. Almost half of all persons over the age of 65 suffer from some degree of chronic arthritis. Nearly 10 percent of senior citizens are known to be diabetic.

FISCAL 1986 SEQUESTRATION

Under Gramm-Rudman, all NIH programs will be subject to the 4.3 percent automatic cuts for the current fiscal year. These cuts will result in a total sequestration of $111,992,000 in outlay funds. Each Institute will be subject to the same 4.3 percentage cut.

The NIA has a high spendout rate, and will not be able to absorb the necessary cuts through administrative costs. In anticipation of the sequestration order, NIA began in December of 1985 to reduce grants by as much as 3 percent. It is now evident that those cuts will not be sufficient, and reductions of up to 9 percent will be made in some awards. Since the sequestration order, NIA has also made 23 fewer grant awards than originally anticipated. Thus, cutbacks are being made in both the number of awards and the amount of each award. The Institute feels that most investigators will be able to find ways to cope with these cuts without sacrificing the quality of the research they conduct.

As with all NIH activities, the budget of the NCI will be subject to the 4.3 percent sequestration of funds for fiscal year 1986. Originally, the NCI had attempted to discriminate among programs and had set priorities, but this scheme may be abandoned for an even distribution throughout programing. Reductions in research projects dealing with the interrelationship between cancer and the aging process are expected to equal $3 million for fiscal 1986.

The NHL&BI loses a total of $16.3 million in outlay funds under the 4.3 percent sequestration of Gramm-Rudman. Decisions have not been finalized as to how cuts will be implemented. It is expected that some programs will be eliminated in favor of others. For example, the Institute will attempt to protect the Systolic Hypertension and the Elderly Study, conducted jointly with NIA.

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NIADDK's budget is also subject to automatic sequestration of 4.3 percent for the current fiscal year. It is unclear at this time how the $10.7 million cut will be implemented.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
NIA	137	75.7	3.2
NCI	1,217	617.1	26.5
NHL&BI	860	378.3	16.3
NIADDK	573	257.6	11.0
Total	2,787	1,328.7	57.0
Total of all NIH (16 institutes)	5,391	2,604.5	112.0

Food and Drug Administration

THE PROGRAM

The Food and Drug Administration (FDA) is charged with the administration and enforcement of laws concerning dangerous, misbranded, and adulterated foods, drugs, human biologics, medical devices, cosmetics, and man-made sources of radiation. The elderly are the Nation's largest consumers of drugs, and as a group often need to purchase foods labeled "low sodium" or "diabetic." The elderly depend on the actions of the FDA's regulatory and enforcement authority to remain healthy and safe. In recent years, the FDA has been giving increasing attention to programs developed for the elderly.

FISCAL 1986 SEQUESTRATION

Benefits

The FDA's budget is subject to the full 4.3 percent sequestration for fiscal year 1986, and will lose $15.7 in outlay funds. As a result of these cuts, several programs directly aimed at the elderly will be adversely affected. For example, there may be some cuts in the FDA's consumer outreach program conducted through the field offices which provides special education programs for the elderly. In addition, there is a program to develop guidelines for drug testing for the elderly that will feel some of the impact of Gramm-Rudman cuts. Finally, the pacemaker registry will not be implemented this year.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays [1]			
FDA	417	365.7	15.7

[1] Figures do not include FDA administrative expenses.

Chapter 2

INCOME SECURITY

Social Security

THE PROGRAM

Established in 1935, the Social Security program provides income for eligible workers and their families when the worker retires, becomes severely disabled, or dies. The benefits are funded through FICA (Federal Insurance Contributions Act) payroll deductions. The program consists of Old Age and Survivors Insurance (OASI) and Disability Insurance (DI). Eligibility is determined by the number of quarters a worker has contributed to the program.

Social Security is by far the largest Federal entitlement program, and accounts for approximately 15 percent of annual Federal spending. The program accounts for 55 percent of all Federal spending on the elderly. In 1985, almost 37 million persons received Society Security benefits, and of those, 72 percent, or 26.5 million were senior citizens. The average monthly benefit check was $417.

FISCAL 1986 SEQUESTRATION

Benefits

The Gramm-Rudman Act gives preferential treatment to Social Security benefits. All payments, including COLA's, are totally exempt from sequestration. In addition, the Social Security trust funds are removed from consideration in the Presidential budget proposals and Congressional budget processes. The 1986 COLA of 3.1 percent is being paid beginning with checks issued in January.

Administration

Although benefits are given exempt status under Gramm-Rudman, the operating expenses of the Social Security Administration (SSA) are not so protected. A total of $84.7 million will be cut from SSA's budget for fiscal 1986. It is uncertain at this point how SSA will implement operations reductions. The expectation is that the systems modernization program will not be cut because it will give SSA the capacity to absorb other cuts. The agency also expects to avoid closing district offices in response to budget cuts, although it may do so for reasons related to quality of service.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
OASI trust fund	180,346	1,504.5	64.7
DI trust fund	20,306	464.2	20.0

[1] Figures include SSA's administrative budget

Supplemental Security Income

THE PROGRAM

The Supplemental Security Income Program (SSI), enacted in 1972, provides income to the Nation's elderly, blind, and disabled, and is financed through general revenues. The program is administered by the Social Security Administration. Unlike Social Security, SSI recipients need not qualify for benefits with work quarters or payroll deductions. Beneficiaries are subject to a means test, that is, eligibility is based upon income levels and asset availability.

In many cases, SSI benefits supplement income from other sources, including Social Security benefits. Monthly checks are issued to bring recipients' income to a level of $336 per month for individuals and $502 per month for couples. Slightly more than 40 percent of all SSI recipients are age 65 or older. A 1985 report estimated that the average monthly SSI check received by elderly beneficiaries was $164, while the averages for the blind ($274) and disabled ($262) were significantly higher. This discrepancy is probably due to the fact that many elderly SSI recipients qualify for some measure of Social Security benefits.

FISCAL 1986 SEQUESTRATION

Benefits

Under the Gramm-Rudman Act, SSI benefits are exempt from automatic cuts. This means that the $9.1 billion paid to recipients in fiscal year 1986, which includes their COLA increase, will not be reduced. SSI beneficiaries are receiving a full COLA of 3.1 percent for 1986, beginning with checks received in January.

Administration

Administrative costs of the SSI program are subject to the full sequestration cut of 4.3 percent. As with the Social Security program's administrative cuts, it is uncertain at this point how the Social Security Administration intends to implement the SSI cuts.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
SSI Program	10,197	719.0	30.9

[1] Figures include SSA's administrative expenses for the program.

Black Lung

THE PROGRAMS

Income maintenance for disabled coal miners and their dependents is provided through two separate programs. Black Lung Part B provides benefits to disabled coal miners and their dependents and survivors who filed claims before July 1973. Funds are appropriated from general revenues and administered by the Social Security Administration (SSA). Currently, nearly 300,000 annuitants and survivors, of whom approximately 188,000 are elderly, benefit from the program. Benefits appropriated for 1986 total $997 million, a sum which includes $270 million appropriated in fiscal 1985 as an advance for the first quarter of fiscal 1986. The administrative budget set aside for SSA to administer the program in 1986 is $6.52 million.

Black Lung Part C, provides income and medical benefits to disabled coal miners and their dependents or survivors who filed claims after July 1973, or who had failed to qualify earlier under Part B. Part C is funded through taxes on coal producers and loans from the general revenues, and administered by the Department of Labor. Administrative costs of the program are estimated to be $44 million for this fiscal year. Benefits scheduled to be paid out in 1986 are estimated at nearly $635 million. Approximately 60 percent of the 156,000 beneficiaries are elderly.

FISCAL 1986 SEQUESTRATION

Benefits

Black Lung benefits, both Parts B and C, are set at 37.5 percent of the Federal salary level GS–2, and are indexed to raises on Federal salaries. The Gramm-Rudman freeze on Federal salaries thus froze these benefits as well.

Under Gramm-Rudman, the Part C medical payments budget is subject to the 1986 sequestration of 4.3 percent. Despite the cut in 1986 budget authority, medical payment recipients will not receive a cut in actual benefits received because the Black Lung program has $45 million in excess budget authority left over from fiscal 1985. The Office of Management and Budget has directed the Department of Labor (DOL) to use this amount only to offset cuts in medical payments; it cannot be used to offset cuts in the administrative budget. DOL also does not currently know whether it can carry the remaining excess budget authority forward to fiscal 1987 and thus offset 1987 sequestration.

Administration

The Social Security Administration's budgeted allotment to administer the Part B program will be cut by $280,000. SSA has not yet determined how to implement this cut, but believes that delivery or benefits will be unaffected.

DOL has not yet appraised the impact of the cut in the administrative budget it has been given to administer Part C benefits. A total of $1.9 million will be cut from that administrative budget.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Black lung pt. B	1,002	6.5	0.3
Black lung pt. C	950	154.0	6.6

Civil Service Retirement

THE PROGRAM

The Federal Government's retirement system covers 2.7 million current employees. Benefits are pegged to earnings history and years of service to the Government. In 1986, an estimated $24 billion will be paid to 2 million retirees and survivors. Approximately 65 percent of these beneficiaries are senior citizens. The Civil Service retirement system is funded through a combination of payroll deductions and general revenues.

FISCAL 1986 SEQUESTRATION

Benefits

Most of the Federal employees retirement programs are subject to COLA-only cuts under Gramm-Rudman. By a special provision of the Act, the money sequestered from these COLA's is to be divided equally and applied to both the defense and nondefense deficit reductions. The Act specifically called for an immediate freeze in the 1986 cost-of-living adjustment for civil service retirement annuities. As a result, retirees will not receive the 3.1 percent COLA for 1986 that was due beginning with the check paid in January. For the average annuitant, with a monthly benefit of $1,119, this will result in a loss of $34 per month in benefit increases this year.

The total savings to the Federal Government because of the civil service retirement COLA cancellation equals $536.7 million. Federal retirement programs make up a sizable share of the budget spending on the elderly. The COLA cuts contribute substantially to the amounts of the elderly losses under Gramm-Rudman.

Administration

The Office of Personnel Management (OPM), which administers the civil service retirement system, is subject to the 4.3 percent re-

duction in operating expenses. OPM expects to achieve this reduction through restrictions on hiring and overtime, elimination of travel and other expenses, and, if necessary, limited furloughs of employees. In recent years, OPM has made progress toward eliminating backlogs of retirement, disability, and survivors claims processing. Restrictions on the use of overtime are expected to increase these backlogs somewhat.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
Civil service retirement fund	24,577	586.0	536.7

[1] Figures include OPM administrative expenses

Military Retirement

THE PROGRAM

Approximately 12.3 million retired officers, enlisted personnel, and their beneficiaries received more than $16 billion in annuity payments last year. Only about 20 percent of participants are elderly because military personnel qualify for retirement after 20 years of service.

FISCAL 1986 SEQUESTRATION

Benefits

The Military Retirement program is treated identically to the Civil Service Retirement program under Gramm-Rudman. The Act provides that only the COLA may be cut from these benefits, and that COLA funds sequestered be divided equally and applied to both the defense and nondefense deficit reductions. The Act specifically called for an immediate freeze in the 1986 COLA, and as a result nondisabled retirees will not receive the 3.1 percent increase scheduled to begin with the check paid in January. For the average annuitant, with a monthly benefit of $1,103, this will result in a loss of $34 per month in benefit increases this year.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
Military retirement fund	18,008	409.1	409.1

[1] Figures do not include administrative expenses

VETERANS: COMPENSATION AND PENSIONS

THE PROGRAMS

Compensation

Compensation is paid to veterans for disabilities incurred in or aggravated during active military service. Death and Indemnity Compensation (DIC) is paid to survivors of service persons or veterans whose death occurred while on active duty or as a result of service-connected disabilities.

The Veterans Administration will pay an estimated $10.2 billion in compensation to over 2.5 million veterans and survivors this year. Nearly 585,062 veterans over the age of 65 are disabled to some extent.

Pensions

The Veterans Administration will pay out an estimated $3.8 billion to almost 1.4 million veterans and survivors in the form of pension benefits. Veterans' pension benefits are awarded on the basis of service, disability, and level of income. Pensioners receive annual COLA's, comparable to Social Security COLA's.

FISCAL 1986 SEQUESTRATION

Benefits

Under the Gramm-Rudman Act, both Veterans compensation and pensions are exempt accounts, not subject to any sequestration. Benefits in both programs were increased in January by 3.1 percent to account for inflation.

Administration

The administrative expenses of the Veterans Administration as a whole are, however, subject to a 4.3 percent reduction. At this time, it is unclear how much of the administrative budget goes to implement these two programs.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Veterans compensation	10,409	0	0
Veterans pensions	3,818	0	0
VA General operating expenses	752	675.3	29

RAILROAD RETIREMENT

THE PROGRAM

The Railroad Retirement program provides retirement income for former railroad employees and their families when the employee retires, becomes disabled, or dies. The Railroad Retirement

Board issues benefit checks totaling nearly $6 billion to 1.2 million annuitants and survivors each year.

The benefit is divided into two parts or tiers plus a supplemental annuity to workers with long railroad service and a dual, or windfall, benefit for workers who became vested for Social Security benefits prior to 1975. Tier I is roughly equivalent to Social Security benefits. Tier II is equivalent to a private pension. The supplemental annuity is given to workers with the equivalent of 25 or more years of railroad service. If the annuitant has 30 or more years of service, this supplemental annuity is payable upon retirement. In other cases, it is payable at age 65. Currently, about 20 percent of railroad retirees receive a supplemental annuity. However, this benefit is being phased out as a result of recently enacted changes.

Benefits are financed through a combination of employee and employer payments to a trust fund, with the exception of dual vested or so-called windfall benefits, which are paid for through general revenues from a special account.

FISCAL 1986 SEQUESTRATION

Benefits

Tier I (Social Security equivalent) benefit payments are exempted from automatic cuts under Gramm-Rudman. Therefore, no decrease in payments will result in fiscal 1986, and in fact, 960,000 beneficiaries received a 3.1 percent COLA on January 1, adding about $14 to the average benefit. For 1986, Tier I outlays will rise by $161 million to about $4.2 billion.

The Gramm-Rudman law limits the sequestration of Tier II benefit funds to cancellation of the COLA increase. The scheduled 1 percent COLA for this program has been cancelled for 1986. This increase would have added $1 or $2 a month to the average benefit among 960,000 recipients. The COLA would have increased Tier II payments by $18 million, raising 1986 outlays to about $1.6 billion.

Windfall benefits, which arise from dual coverage under Social Security and Railroad Retirement are not specially protected from cuts under Gramm-Rudman. These benefits will be cut by 4.3 percent beginning on March 1. This is not a COLA cancellation—these benefits have remained essentially constant since their inception in 1974. The 312,000 retirees and survivors who receive an average benefit of $104 will lose an average of $7.70 per month. Total outlays will drop $17 million to $373 million.

Administration

Under the 4.3 percent sequestration of Gramm-Rudman, the Railroad Retirement Board's administrative budget of $55 million will drop by about $2.4 million. The Board expects that it will be able to absorb this cut without diminished service.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
R.R. Social Security Benefits	5,950	29.2	1.3
Rail industry pension	2,248	43.7	19.1
Windfall subsidy	390	390.0	16.7

[1] Figures include Railroad Retirement Board administrative costs.

Pension Benefits Guaranty Corporation

THE PROGRAM

The Pension Benefits Guaranty Corporation (PBGC) is a wholly owned Government corporation. Operating under the Department of Labor, this entity administers programs of mandatory termination insurance to prevent loss of pension benefits under covered private, defined benefit pension plans if plans terminate or if multiemployer plans are unable to pay benefits. Terminated plans are taken over by the Corporation. The Corporation assumes control of their assets, administers them in a trust fund held in a private bank, and takes responsibility for paying benefits. The Corporation also provides repayable assistance to insolvent multiemployer plans when necessary to pay benefits and to forestall termination and subsequent Corporation responsibility to pay benefits. All benefits paid through PBGC's insurance program are funded exclusively through employer-paid premiums.

FISCAL 1986 SEQUESTRATION

Under Gramm-Rudman, all insurance benefits are specifically exempted from automatic sequestration. The PBGC expects to achieve the required $1.4 million reduction in its operating budget largely by reducing personnel through normal attrition and turnover and by limiting outside contracting. These reductions are not expected to have a significant effect on the quality of PBGC's operations.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
PBGC	33	28.3	1.2

Food Stamps

THE PROGRAM

The Food Stamp program was begun in 1964 to alleviate hunger and malnutrition among low income persons. Eligible households receive monthly allotments of stamps, based on income and household size, to finance food purchases. Benefits are based upon the Thrifty Food Plan, a standard currently set at $268 per month for a single person. A household is eligible for food stamps to the extent that 30 percent of household income falls below the applicable Thrifty Food Plan level. The Plan is adjusted upward annually for changes in the cost-of-living.

Food Stamp benefits are funded entirely from the Federal Government's general revenues, although administrative costs are shared by the States and the Federal Government. During fiscal year 1985, the program provided 19.9 million people in 7.3 million households with $10.8 billion in benefits. Eighteen percent (1.3 million) of these households contained persons age 60 or older. According to the Census Bureau, the average monthly food stamp benefit of a person over age 65 is $44.

FISCAL 1986 SEQUESTRATION

Benefits

Food Stamp benefits are specifically exempted from automatic cuts under the Gramm-Rudman law, and there will be no reduction of benefits to any households for the remainder of the fiscal year.

Administration

The Federal portion of the Food Stamp program's administrative budget is not specifically exempted from sequestration, and therefore is subject to a 4.3 percent reduction of funding for fiscal year 1986. State payments for program administration are not subject to the Gramm-Rudman law, however, States are not required to contribute funds above those needed to match Federal contributions.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays: [1]			
Food Stamps	11,799	27	1.2

[1] Figures include administrative costs of the program

Food Programs

THE PROGRAMS

The Department of Agriculture (USDA) administers two feeding programs which benefit senior citizens. The Nutrition Program for the Elderly, a part of USDA's Food Donations Programs, is author-

ized under the Older Americans Act to help meet the nutritional needs of the elderly. This program works with the Department of Health and Human Services to provide commodities and cash to senior centers and other locations where congregate meals are taken. The program offsets the cost of these meals at an average of over $.50 per meal. A total of $137 million was appropriated for 1986, to help serve over 225 million meals.

The Elderly Feeding Pilot Project (EFPP) is a small, but important test program under the larger Commodity Supplemental Food Program (CSFP). EFPP provides direct distribution of USDA surplus commodities to low-income persons 60 years of age and older at centers in three different cities. For fiscal 1986, the program was appropriated $3 million to provide food to about 19,000 participants. EFPP is financed through the CSFP, and some funds are provided to the local centers through the Temporary Emergency Food Assistance Program (TEFAP). TEFAP provides funds to States to be used to transport, store, and distribute these Commodity Credit Corporation-donated foods for needy individuals.

FISCAL 1986 SEQUESTRATION

The Nutrition Program for the Elderly will face a 4.3 percent sequester under Gramm-Rudman. This will mean a cut of over $5 million, resulting in a reduction in the per meal reimbursement that States receive and possibly a reduction in the number of meals that will be provided unless another source fills this gap.

The EFPP, as a part of the CSFP, is exempted from automatic cuts by the Gramm-Rudman Act, therefore no funds for commodities or cash payments will be sequestered for 1986. The administrative budget of the program, however, is subject to the percentage reduction and will lose slightly less than $1 million. Also, TEFAP's $49.7 million administrative budget will be cut by $2.1 million. These reductions should have some impact on the efficiency of the program, but it is unclear at this time to what extent distribution will be hampered.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays			
CSFP	1,582	2.0	0.9
Food Donations Program	185	159.4	6.9
TEFAP	52	34.0	1.5

Low Income Home Energy Assistance Program

THE PROGRAM

Begun in 1980, the Low Income Home Energy Assistance Program (LIHEAP) funds block grants to States to be used for assisting low-income households with their heating and cooling bills,

energy-related emergency assistance, and weatherization. The program serves 7 million households per year, and of those, approximately 40 percent have at least one member 65 years of age or older.

FISCAL 1986 SEQUESTRATION

Gramm-Rudman mandates that the LIHEAP program be subject to full across-the-board sequestration. Specific data as to how the fiscal 1986, 4.3 percent cut will be implemented is unavailable at this time. Priority is given to older Americans under the LIHEAP, so it is not necessarily the case that the elderly will be affected to the same degree as other low income households.

Additionally, HHS, which administers LIHEAP, is not certain how they will implement the 4.3 percent program cuts because they may be bound by prior statute which protects some States from receiving grants smaller than a specified level. This allocation language could result in higher percentage cuts for some States than others.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
LIHEAP	2,100	1,890	81.3

Chapter 3

HOUSING

Housing and Urban Development

THE PROGRAMS

The Department of Housing and Urban Development (HUD) administers five housing programs of benefit to the elderly. Section 202 Housing is the best known HUD program for older Americans. The 202 Housing Fund provides direct loans to nonprofit organizations which build and manage housing projects designed specifically for low income elderly and handicapped persons. About 90 percent of those living in 202 housing are elderly in addition to those handicapped who are elderly. The Section 8 housing assistance payments program is used in conjunction with Section 202 housing.

The Congregate Housing Services program is a Federal program designed to provide meals and other congregate services to elderly and handicapped persons. This program was begun in 1980 to test whether contracting directly with local public housing agencies and 202 projects to supply congregate services is more effective than alternative Health and Human Services programs. Congregate Housing Services was appropriated $2.7 million in fiscal 1986, with approximately 90 percent of these funds going to elderly projects.

The most important of the HUD low-income housing programs is Public and Indian Housing. Today, over 1.2 million public housing units provide housing for 3.5 million people. Residents must meet very low income guidelines to be eligible for this type of housing. Approximately 43 percent of the public housing units are occupied by the elderly. The elderly make up about 6.5 percent of those living in Indian housing.

Community Development Block Grants provide a major source of funds for cities to conduct a wide-range of community development activities designed to help low- and moderate-income households. Elderly residents benefit directly and indirectly from a variety of CDBG projects. Of the $3.4 billion made available to States and communities in fiscal 1984, about $13.6 million was budgeted by communities specifically for assistance to senior centers. A good bit of the 36 percent of all CDBG moneys that were used for housing rehabilitation activities ($970 million) benefitted the elderly. Other activities that benefit senior citizens under this program are: Public housing rehabilitation, public and social services, improvements in neighborhood facilities, and removal of architectural barriers.

Subsidized Housing Programs, which include the Section 8 programs, are of particular importance to low- and moderate-income elderly. The Section 8 program was created in 1974 to give rental subsidies to households with incomes too low to obtain decent housing in the private market. Over 40 percent of all Section 8 units are occupied by older persons.

FISCAL 1986 SEQUESTRATION

Housing programs under HUD are not given special protection from Gramm-Rudman sequestration. All unobligated funds of the programs are subject to the 4.3 percent reduction for fiscal 1986. As with all unprotected programs, HUD outlays, unobligated budget authority and direct loan limitations will be reduced. Unlike many other programs, the sequestration of HUD's budget authority has particularly strong repercussions for the years beyond 1986. Because of the long-term nature of construction contracts, a cut in budget authority today means that fewer housing projects will be undertaken, and thus fewer units will be available in future years.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
202 housing	556.0	3.9	0.2
Congregate services	6.0	0	0
Public housing	1,426.0	0	0
Community development grants	3,575.0	62.5	2.7
Subsidized housing	10,530.0	9.5	.4
Budget authority:			
Congregate services	4.3	2.7	.1
Public housing	1,145.4	1,210.6	52.1
Subsidized housing	10,098.2	9,815.6	422.1

FISCAL 1986 SEQUESTER—Continued

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Direct loan limitation:			
202 housing	NA	631.0	27.1

Farmers Home Administration

THE PROGRAMS

The Farmers Home Administration (FmHA) provides loans and grants to residents of rural areas. Many of the FmHA's programs deal directly with the agricultural industry, however, several involve rural housing. The elderly benefit from three FmHA housing programs.

Section 502 rural housing loans are available to low-income persons who will reside in rural areas and do not own safe, sanitary, adequate housing. The loans are to buy, build, or improve modest housing. Current year figures are not available, but in fiscal 1984, 596 loans in the amount of $26 million were made to older Americans.

Section 504 rural housing loans of up to $7,500 are available to very low income households who own housing in rural areas. The elderly do participate in this program, but data is not available defining the extent. However, Section 504 rural housing grants are designed to help very low income homeowners 62 years of age and older who can't afford a loan. In fiscal 1985, 3,716 grants obligating $12,498,670 were made.

The Section 515 rural rental housing program provides loans for the construction of rental or cooperative housing for persons with low or moderate incomes and for persons age 62 or older in rural areas. Twenty-five percent of these loans, about $225 million, were made for construction of elderly projects in fiscal 1985.

FISCAL 1986 SEQUESTRATION

Under Gramm-Rudman, the FmHA budget is subject to sequestration of the across-the-board percentage amount, 4.3 percent for fiscal 1986. The total cut from all FmHA programs is over $154.2 million. It is unclear at this time how each of the four FmHA housing programs which help the elderly will absorb the budget cuts.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
FmHA rural housing insurance fund	3,053	1,145.8	49.3

Home Weatherization

THE PROGRAM

Spurred by rising fuel costs in the early 1970's, the Department of Energy Weatherization program was enacted in 1976 to provide persons 125 percent below the poverty line with assistance in improving the energy efficiency of their homes. Similar to the Low Income Energy Assistance program, discussed above, this program gives priority to elderly and handicapped households. The program provides for the installation of insulation, storm windows and doors, and other energy efficiency improvements.

The elderly are a priority group to receive benefits, and nearly one-half of weatherization beneficiaries are elderly. Over 728,000 elderly dwellings were weatherized under this program since its inception.

FISCAL 1986 SEQUESTRATION

Under Gramm-Rudman, the $190.1 million appropriated to the Department of Energy for weatherization in fiscal 1986 is subject to a 4.3 percent sequester. Some $4.8 million will be cut from the program.

FISCAL 1986 SEQUESTER

(In millions of dollars)

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
DOE weatherization	487	111.3	4.8

Chapter 4

SERVICES

Older Americans Act Programs

THE PROGRAMS

Older Americans Act programs are funded through the Human Development Services office of the Department of Health and Human Services. These programs include transportation, outreach, congregate meals, adult day care, meals-on-wheels, shopping escorts, telephone reassurance, and long-term care ombudsman programs. Seniors depend on these and other OAA programs for a variety of essential services. A total of $1.6 billion has been appropriated for all Older Americans Act programs for fiscal 1986.

FISCAL 1986 SEQUESTRATION

Gramm-Rudman does not provide any protections for any OAA programs, and all will be cut by 4.3 percent for fiscal 1986. Although Gramm-Rudman mandates that sequestration be applied

equally to each program, HHS officials have indicated that the number of meals and other direct services will be the last items to be reduced.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Human Development Services	1,977	1,134.8	48.8

TRANSPORTATION

THE PROGRAM

Under Section 16(b)(2) of the Urban Transportation Act, the Urban Mass Transportation Administration (UMTA) provides assistance to private nonprofit organizations for the provision of transportation services for the elderly and handicapped. The program is one of several which emanate from discretionary funds distributed by UMTA for various purposes. The fiscal 1986 appropriation includes $30.5 million of the discretionary grant funds.

In addition, under Section 18 of the Urban Transportation Act, some $108 million was obligated in fiscal 1985 for planning, capital, operating, and administrative expenditures by State and local agencies, nonprofit organizations, and operators of public transportation services in rural and urbanized areas with under 200,000 in population. The Department of Transportation has stated that a significant percentage of passengers served under this program are elderly persons and those with disabilities. It is unclear at this point how much of the UMTA formula grants funds appropriated for 1986 will be used to serve elderly persons under this program.

FISCAL 1986 SEQUESTRATION

Gramm-Rudman does not provide any exemption from cuts for either UMTA discretionary grants or formula grants. These funds are subject to full sequestration, a 4.3 percentage reduction for fiscal 1986. The exact impact to the elderly has not been determined at this time.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
UMTA discretionary grants	800	58.7	2.5
UMTA formula grants	1,445	763.8	32.8

LEGAL SERVICES

THE PROGRAM

The Legal Services Corporation (LSC) is a nonprofit corporation which funds local legal aid projects. In turn, the local projects provide free legal services in civil matters to persons meeting OMB poverty guidelines. Approximately 13 percent of all Legal Services clients are senior citizens, who receive legal assistance in areas such as government benefits, consumer fraud, guardianships, involuntary commitments to an institution, and probate matters.

Local legal aid offices receive approximately 88 percent of their funding from the Federal Government. In addition to LSC grants, offices receive funds from sources such as Older Americans Act funds, Community Services Block Grants, Revenue Sharing, and Title XX moneys. The balance of funds come from State and local governments and private sources.

FISCAL 1986 SEQUESTRATION

All Federal sources of funding for local legal aid projects are subject to sequestration under Gramm-Rudman, and will be cut by 4.3 percent for fiscal year 1986. It is difficult to estimate the number of senior citizens, if any, who will be denied legal help because of these cuts for several reasons. Additional funds from State or local sources or from interest on Lawyer's Trust Accounts could offset Federal cuts. Also, a shift in the use of LSC funds could occur. For example, funds could be moved from training or elsewhere to keep service provision constant. And local programs could possibly make cuts that would not reduce services.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Legal Services Corporation	312	226	11.4

OLDER AMERICAN VOLUNTEERS

THE PROGRAMS

ACTION, an independent agency established in 1971, administers and coordinates a variety of volunteer programs designed to reduce poverty, help the physically and mentally disabled, and serve local communities in other ways. Thousands of senior citizens participate in and benefit from these volunteer programs.

A. Retired Senior Volunteer Program

The Retired Senior Volunteer Program (RSVP) was originated in 1969 under the Older Americans Act. RSVP is designed to provide volunteer opportunities for persons age 60 and older in areas such

as youth counseling, literacy enhancement, long-term care, crime prevention, refugee assistance, and housing rehabilitation. Each project is locally planned, operated, and controlled. Volunteers receive no hourly stipend, but are reimbursed for out-of-pocket expenses incurred as a result of volunteer activities. In fiscal 1985 RSVP had approximately 365,000 volunteers serving in 751 projects.

B. Foster Grandparents Program

The Foster Grandparents Program (FGP) is designed to provide part-time volunteer opportunities for low-income persons age 60 years and over to assist them in providing supportive services to children with physical, mental, emotional, or social disabilities. Foster Grandparents are placed with nonprofit sponsoring agencies such as schools, hospitals, day care centers, and institutions for handicapped children. Volunteers serve 20 hours per week and provide care on a one-to-one basis to three or four children.

Volunteers receive an hourly stipend, transportation assistance, an annual physical examination, insurance benefits, and meals while serving as volunteers. Volunteers must meet income guidelines to qualify for this program and benefits are not taxed. In fiscal 1985, FGP had approximately 19,000 volunteers serving in 259 projects.

C. Senior Companion Program

The Senior Companion Program (SCP) was instituted in 1973 to provide part time volunteer opportunities for low-income seniors in the same manner as the FGP. Volunteers must meet the same income qualifications and receive the same benefits as FGP volunteers. Senior Companions assist homebound, chronically disabled older persons to maintain independent living arrangements in their own places of residence. Volunteers also provide services to institutionalized older persons. In fiscal 1985 SCP had about 5,900 volunteers serving 112 projects.

FISCAL 1986 SEQUESTRATION

ACTION is subject to sequestration under Gramm-Rudman. Of the total amount sequestered, the three senior citizen programs will lose over $5.2 million. It is difficult to predict the effect of the sequester on these volunteer programs which vary in per-volunteer expenses. Also, approximately 29 percent of the total funds that support Older American Volunteer programs are non-ACTION sources ($43.2 million) and if these sources remained constant, reductions as a result of sequestration might be less.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays			
ACTION	164	91.6	3.9

Community Services Employment for Older Americans

THE PROGRAM

Community Services Employment for Older Americans program was established by Title V of the Older Americans Act and is administered by the Department of Labor's Employment and Training Administration. This program provides part-time work experience to unemployed, low-income persons age 55 and over through contracts with seven national service organizations and the U.S. Forest Service, and through grants to States.

FISCAL 1986 SEQUESTRATION

Gramm-Rudman does not exempt Title V employment from sequestration. This program will suffer a full 4.3 percent cut for fiscal 1986 of $2.8 million in outlay funds. It is unclear at this time how these cuts will be implemented by the Department of Labor.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays			
Community service employment for older Americans	326	65.1	2.8

Job Training Partnership Act

THE PROGRAM

The Job Training and Partnership Act (JTPA) authorizes a wide range of training activities to prepare disadvantaged persons for unsubsidized employment. Two percent of the participants in Title II-A of this program during the period July 1, 1984, through June 30, 1985, were 55 years of age or older (12,221). Three percent of the Title II-A JTPA funds of each State's allotment are set-aside to be made available for the training and placement of older individuals in employment opportunities with private business concerns. The set-aside for the 1985-86 program year is $57 million.

Title III of JTPA authorizes a State-administered dislocated worker program which provides training and related employment assistance. In the program year 1984-85, 7 percent or about 8,300

of those individuals who went through the program were 55 years of age or older. The total fiscal 1986 appropriation for JTPA programs is over $3 billion.

FISCAL 1986 SEQUESTRATION

JTPA programs are subject to the across-the-board cuts of Gramm-Rudman sequestration. For fiscal year 1986, this 4.3 percentage reduction will equal $150 million.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Training and employment services	3,841	94.9	4.1

Equal Employment Opportunity Commission

THE PROGRAM

The Equal Employment Opportunity Commission (EEOC) enforces various laws which prohibit employment discrimination based on factors such as race, religion, or sex. The EEOC enforces the Age Discrimination in Employment Act, an antidiscrimination law of particular importance to senior citizens. This act prohibits discrimination against workers age 40 through 70. In 1985, over 18,000 claims involving age discrimination and equal pay were filed with the Commission, and increases are expected in the future. The EEOC expects to spend approximately $165 million this year to carry out its many enforcement activities.

FISCAL 1986 SEQUESTRATION

The Gramm-Rudman Act does not provide for any special protection of the EEOC's budget, and the program is subject to the 4.3 percent sequestration for fiscal 1986. A total of $6.1 million in outlay funds will be sequestered this year. It is unclear at this time how the cut will be implemented within the agency or what effect it will have on the enforcement of age discrimination claims.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total		
	Sequester	Baseline	Sequestered amount
Outlays:			
EEOC	163	141.5	6.1

Social Services Block Grants

THE PROGRAM

Social Services Block Grants (SSBG) are awarded to States to enable them to provide services to low-income persons, including recipients of AFDC, SSI, and Medicaid Program funds. Services include programs designed to: prevent, reduce, or eliminate dependency on Federal assistance; assist low-income persons to achieve or maintain self-sufficiency; prevent neglect and abuse; prevent or reduce inappropriate institutional care; and secure admission or referral to institutional care when other forms of care are not appropriate.

The percentage of SSBG funds spent on the elderly is estimated at 15 percent. This percentage has declined from over 21 percent in 1981. A major reason for this decline is that in the recent competition for Government resources, elderly programs were pushed aside in favor of programs such as homemaker training, daycare services, and child abuse prevention.

FISCAL 1986 SEQUESTRATION

The SSBG program is subject to sequestration under Gramm-Rudman, and will lose 4.3 percent of its funding for fiscal 1986. It is unclear at this time whether all programs will be cut by this percentage or whether some elderly programs will fare better or worse than that.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays			
Social services block grants	2,705	2,538	109.1

Community Services Block Grants

THE PROGRAMS

Community Services Block Grants (CSBG) are provided to States for funding services and activities designed to reduce poverty and promote community development. Some CSBG funds are used to provide services to senior citizens such as job training and referral for the elderly, home owner counseling, low-income housing construction, transportation, senior centers, energy and weatherization assistance, and food and shelter. Data is not available, however, as to what percentage of the $335 million fiscal 1986 appropriation is used to provide services to elderly beneficiaries.

FISCAL 1986 SEQUESTRATION

Gramm-Rudman gives no exemption for CSBG funding, which is subject to 4.3 percent sequestration in fiscal 1986. The program will

lose the ability to commit $14.4 million in State grants and $1.5 million from discretionary funds and program administration. Actual outlays will be reduced by $10.9 million.

FISCAL 1986 SEQUESTER

[In millions of dollars]

	Fiscal year 1986 total	Sequester	
		Baseline	Sequestered amount
Outlays:			
Community services block grants	368	252.9	10.9

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